

IFRS® Foundation
Agenda Paper 2

Post-implementation reviews

IFRS Advisory Council
January 2022

Purpose of this meeting

The IASB will conduct several post-implementation reviews (PIRs) in the next few years:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*

The outcome of a PIR may be:

- no action
- action
 - educational material
 - research for possible standard-setting



We think we should develop a consistent approach to assessing the priority of actions arising from a PIR. **What should our approach be?**

- Particularly important when reviewing responses to Agenda Consultation alongside PIR feedback – but relevant for all PIR responses
- Stakeholder views are mixed regarding the priority PIR-related work should take.
- We have completed three PIRs. Good time to reflect.

The Advisory Council's advice will help support:

- the effectiveness and credibility of the PIR process
- optimal resource allocation

Objective of PIRs

Assess effect of a new Accounting Standard on investors, preparers, auditors and regulators.

Is the Accounting Standard working as the IASB intended?

Have the objectives of the standard-setting project been met?

Is information provided by the Accounting Standard useful to investors?

Can the requirements be applied consistently?

Are the costs of preparing, auditing, enforcing or using information required by the Accounting Standard as expected?

PIR findings can also help improve the standard-setting process and drafting.

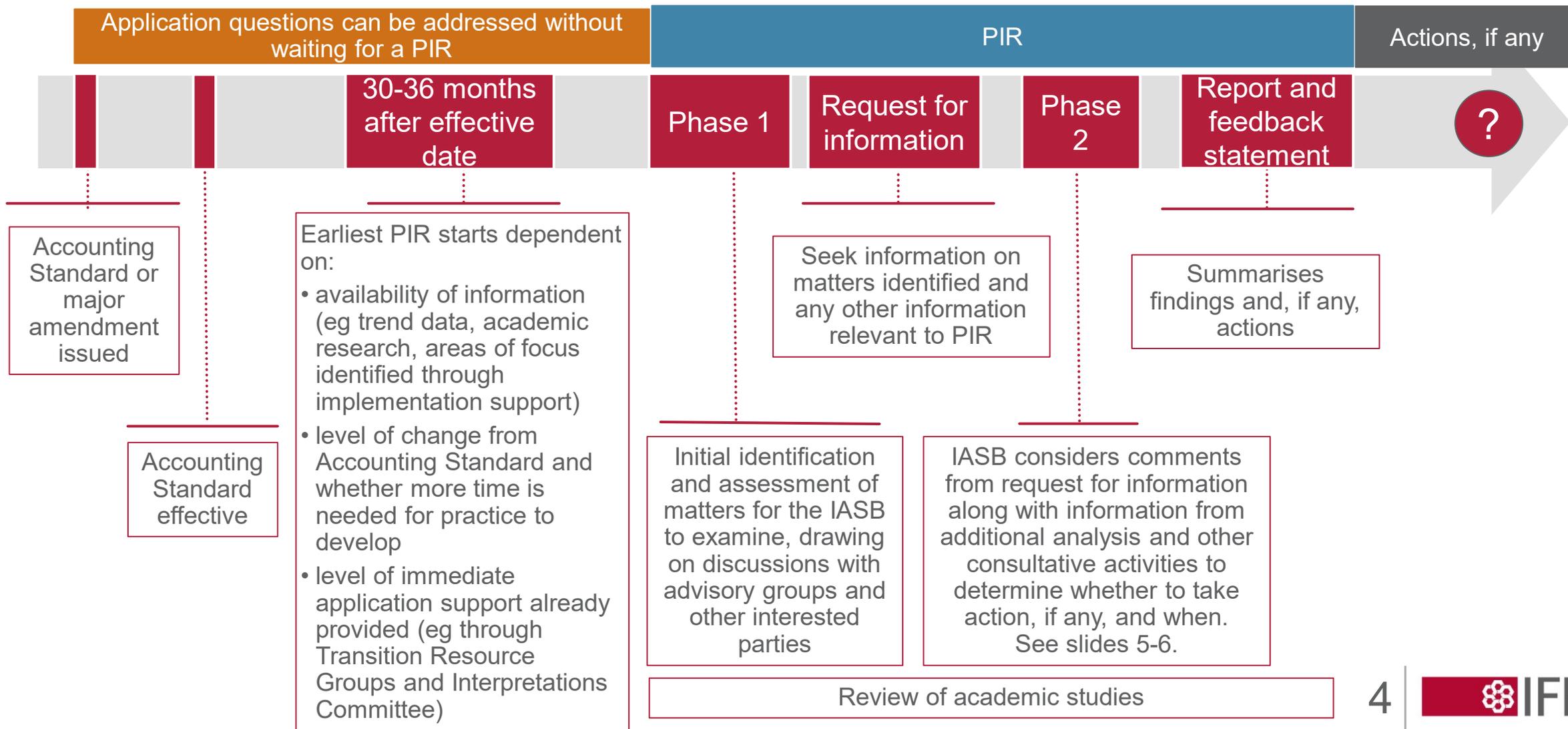
A PIR is **not** intended to:

Reopen debates previously considered. Rather, a PIR explores new information from application of the Accounting Standard and market developments since the Accounting Standard was issued

Identify and resolve every application question. However, trends in application questions may identify the need for clarifications to the Accounting Standards or improvements to the standard-setting process.

PIR process

The IASB undertakes a PIR for each new Accounting Standard or major amendment



Considerations in assessing whether and when to take action

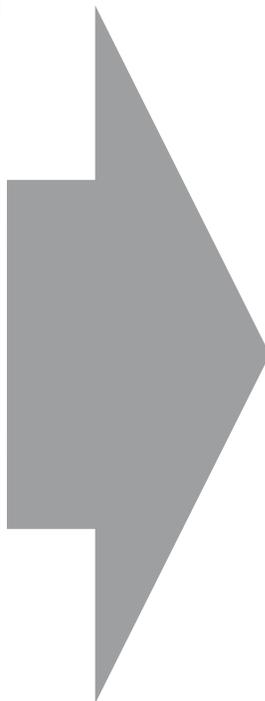
IASB considers taking next steps if feedback provides new evidence that:

Objective of requirements is not being met

Information is not meeting investor needs

Diversity in application of requirements

Costs of preparing, auditing, enforcing or using information differ from expectations
(eg, differences from effects analysis issued with Accounting Standard)



Questions the IASB considers in deciding whether and when to take action include:

Are the consequences of the question significant / severe?

Is the question pervasive?

Could the question be addressed by the IASB?
(Is, for example, the question within the IASB's remit? Does the possible solution involve standard-setting / educational material, rather than improved compliance with existing requirements)

If considering standard-setting, would the benefits outweigh the cost?
(Considering, for example, whether practice has already overcome the question, disruption and operational costs, and importance to investors)

Possible prioritisation framework for questions arising from PIR

Prioritisation based on characteristics of question

Size of potential project is **not** a consideration in prioritisation

High

Begin work immediately

- Question with objective or core principle that prevents IASB from concluding that the Accounting Standard is working as intended
- Solution to question needed urgently
- Expected to be rare

Research to determine root cause of question, prevalence, scope and whether possible standard-setting solution exists

- For some questions, information gathered from the PIR process may be sufficient to begin standard-setting.
- Other questions may have a brief research phase and move quickly to the standard-setting work plan.
- Larger / more complex projects may require more research, often culminating in publication of a Discussion Paper. The feedback from the Discussion Paper assists the IASB in determining whether to move the project to the standard-setting work plan.

- No action
- Educational material
- Annual improvement
- Narrow-scope standard-setting
- Major amendment

Medium

Add topic to research pipeline

- Most of the considerations on slide 5 met to a large extent

Low

Consider topic only if identified as priority in next Agenda Consultation or when Accounting Standard is next amended

- Some of the considerations on slide 5 met to some extent
- Remainder either not met or insufficient evidence to conclude whether consideration met

None

No action

- Few or none of the considerations on slide 5 met

Questions for Advisory Council members

1. Do you agree with the possible prioritisation framework on slides 5-6?
2. If not, what changes would you recommend?

A grayscale world map is the background for the slide. Overlaid on the map are several curved, overlapping bands and a network of dotted lines that suggest a global or interconnected theme.

Appendix – PIR status and outcomes

PIR status and outcomes (1/2)

Standard	Status	Outcome
IFRS 8 <i>Operating Segments</i>	Completed – July 2013	<p>IFRS 8 achieved its objectives and improved financial reporting. No evidence of significant failings, but some questions to be considered for improvement.</p> <p>Action: Exposure draft published in 2017 with nine proposed amendments to address PIR findings. Ultimately no amendments made – insufficient improvement to justify cost.</p>
IFRS 3 <i>Business Combinations</i>	Completed – June 2015	<p>No overall assessment (eg, working as intended). Highlighted mixed views of investors, implementation challenges and concerns about costs.</p> <p>Action: IASB identified 12 areas of focus for possible further investigation:</p> <ul style="list-style-type: none"> • Four committed to research (one covered in amendments to Definition of a Business, three covered in Goodwill and Impairment project) • Eight left dependent on 2015 agenda consultation feedback (and ultimately were not added to research pipeline)
IFRS 13 <i>Fair Value Measurement</i>	Completed – December 2018	<p>IFRS 13 working as intended, in particular:</p> <ul style="list-style-type: none"> • useful information provided to investors • some implementation challenges, but practice developing to resolve these • no unexpected costs <p>Action:</p> <ul style="list-style-type: none"> • Feed PIR findings into projects (Primary Financial Statements project and Targeted Standards-level Review of Disclosures project) • Continue liaising with valuation profession and monitoring

PIR status and outcomes (2/2)

Standard	Status	Outcome
IFRS 10 <i>Consolidated Financial Statements</i> IFRS 11 <i>Joint Arrangements</i> IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Phase 2 deliberations in process	
IFRS 9 <i>Financial Instruments</i> – classification and measurement requirements	Phase 1 Request for Information consultation in process	
IFRS 9 <i>Financial Instruments</i> – impairment requirements	Phase 1 to start in H2 2022	
IFRS 15 <i>Revenue from Contracts with Customers</i>	Phase 1 to start in H2 2022	
IFRS 9 <i>Financial Instruments</i> – hedging requirements	IASB to reconsider in H2 2022 when to start	
IFRS 16 <i>Leases</i>	IASB to reconsider in H2 2022 when to start	



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